

Message Text

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ACTION EB-07

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FM AMEMBASSY ADDIS ABABA

TO SECSTATE WASHDC PRIORITY 1148

LIMITED OFFICIAL USE ADDIS ABABA 10665

E.O. 11652: N/A

TAGS: EINV ET

SUBJ: EXPROPRIATED US PROPERTY IN ETHIOPIA - CROWN CORK

REF: STATE 201997 B. STATE 234243 C. ADDIS ABABA 10477

D. STATE 240922 E. MEMCON DTD JULY 16, 1976, JACK SHEPHERD
AND COLIN HAYNE, CROWN CORK AND RICHARD WILSON, ECON/COMM,
COUNSELOR, EMBASSY

1. EMB IS CONCERNED ABOUT SEVERAL ASPECTS OF THE DEPT'S
INSTRUCTION TO US REGARDING CROWN CORK. A. WE ARE NOT SURE TO
WHAT EXTENT CROWN CORK'S SITUATION IS SIGNIFICANTLY DIFFERENT FROM
THAT OF THE OTHER AMERICAN FIRMS WHOSE INTERESTS HAVE BEEN NATIONALIZ
ED.

IT IS POSSIBLE THAT AT LEAST SOME OF THESE FIRMS WOULD ALSO BE IN-
TERESTED IN "RETAINING OR REQCQUIRING CONTROL" OF THEIR COMPANIES.
B. WE WONDER, THEREFORE, IF IT IS WISE FOR THE USG TO DIFFERENTIATE
BETWEEN CC AND OTHER FIRMS ON BASIS THAT OTHER FIRMS ARE ONLY IN-
TERESTED IN COMPENSATION WHILE CC WANTS TO STAY ON, SUBJECT TO ITS
CONDITIONS BEING MET (SEE PARA 4 REF A.) AS EXPLAINED AT LENGTH
IN PARA 3 REF C, WE CONSIDER IT HIGHLY UNLIKELY THAT THE EPMG
WILL RETURN MAJORITY OWNERSHIP TO THE FORMER OWNERS OF NATIONALIZED
FIRMS, INCLUDING CC. THE BEST WE CAN HOPE FOR IS MINIMAL IN-
TERFERENCE IN MANAGEMENT DECISIONS ON PART OF EPMG PENDING SETTLEMENT
OF COMPENSATION ISSUE. IN OUR JUDGMENT WE ARE NOT IN A
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POSITION TO INFLUENCE EPMG ON ISSUES LIKE MANAGEMENT CONTROL.

C. WE THEREFORE BELIEVE THAT IT WOULD BE HIGHLY DESIRABLE FOR AN OFFICIAL OF CC TO VISIT ETHIOPIA AND CONSULT WITH THE EMB REGARDING THEIR ASSESSMENT OF EPMG INTENTIONS RE CC AND POSSIBLE CONSEQUENCES OF OUR PROPOSED REPRESENTATION BEFORE WE MAKE THEM. IT ALSO WOULD BE HELPFUL TO HAVE THE TEXT OF MR. CONNELLY'S LETTER TO BARRETT AF/E (PARA 2 REF A) IN LIGHT OF REMARKS BY REGIONAL CC OFFICIALS TO ECON/COMM CONSELOR THAT CC PLANNED TO SUBMIT COMPENSATION CLAIM (SEE REF E).

2. FOR THE DEPT'S BACKGROUND, WE WISH TO CLARIFY THE QUESTION OF THE REPLACEMENT OF THE MANAGING DIRECTOR OF THE LOCAL CC PLANT. MR. RICHARD SCHNEITER, A SWISS CITIZEN, HAD BEEN THE MANAGING DIRECTOR FOR SEVERAL YEARS PRIOR TO THE NATIONALIZATION AND CONTINUED IN THAT POST UNTIL RECENTLY WHEN HE FAILED TO RETURN FROM HIS ANNUAL VACATION. EARLY IN 1976 THE EPMG HAD FORCED THE APPOINTMENT OF AN ETHIOPIAN DEPUTY MANAGING DIRECTOR OVER THE OBJECTION OF CC WHICH BELIEVED THAT A DEPUTY WAS NOT NEEDED. WITH THE FAILURE OF SCHNEITER TO RETURN TO ETHIOPIA, THE DEPUTY HAS BEEN FUNCTIONING AS ACTING MANAGING DIRECTOR AND IN THE ABSENCE OF ANY OTHER AUTHORITY, HE IS EXERCISING DAY-TO-DAY MANAGERIAL CONTROL. BASED ON DISCUSSIONS WITH SCHNEITER PRIOR TO HIS DEPARTURE AND RECENTLY WITH SEVERAL OF HIS FRIENDS WE BELIEVE THAT THE MAJOR REASON HE CHOSE NOT TO COME BACK TO ETHIOPIA WAS A DISPUTE WITH CC'S MANAGEMENT RATHER THAN PROBLEM WITH THE EPMG. SCHNEITER HAD SOUGHT A CONTRACT WITH CC INTERNATIONAL TO ASSURE HIM OF SOME JOB SECURITY IN CASE HIS POSITION IN ETHIOPIA WAS ELIMINATED. CC REPORTEDLY REFUSED TO OFFER HIM ANYTHING BUT LOCAL HIRE STATUS IN ETHIOPIA. THIS SITUATION MAY WELL HAVE CAUSED HIM TO DECIDE AGAINST RETURNING TO ETHIOPIA. AS NOTED IN REF E, CC OFFICIALS HOPED TO APPOINT ANOTHER EXPATRIATE MANAGER, BUT APPARENTLY EPMG HAS NOT AUTHORIZED THE APPOINTMENT. TIENKEN

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